

NGWATHE LOCAL MUNICIPALITY (FS203)

ANNUAL MEDIUM TERM BUDGET

2013/14- 2015/16

Copies of this document can be viewed:

- In the foyers of all municipal buildings
- All public libraries within the municipality
 - At www.ngwathe.fs.gov.za

TABLE OF CONTENTS

Description	Page
List of figures and tables	3
Glossary of terms and acronyms	5
List of votes	6
Purpose	8
Part 1: Annual budget	
: Mayors Budget Speech	9
Chapter 1: Executive summary	11
Chapter 2: The budget	16
Part 2: Supporting documentation	
Chapter 3: Overview of annual budget process	22
Chapter 4: Overview of alignment of annual budget with IDP	27
Chapter 5: Measurable performance objectives and indicators	28
Chapter 6: Overview of budget related policies	31
Chapter 7: Overview of budget assumptions	32
Chapter 8: Overview of budget funding	34
Chapter 9: Expenditure on allocations and grant programmes	41
Chapter 10: Councillors allowances and employee benefits	42
Chapter 11: Monthly targets for revenue, expenditure and cash flow	43
Chapter 12: Annual budgets and SDBIP	44
Chapter 13: Legislation compliance status	45
Chapter 14: Resolutions	46
Chapter 15: Detail budgets per department	47
Chapter 16: Tariffs	49
Chapter 17 : Quality Certificate	50

LIST OF FIGURES AND TABLES

NO	DESCRIPTION
Table A1	Budget Summary
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification)
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table A4	Budgeted Financial Performance (revenue and expenditure)
Table A5	Budgeted Capital Expenditure by vote, standard classification and funding
Table A6	Budgeted Financial Position
Table A7	Budgeted Cash Flows
Table A8	Cash backed Reserves/Accumulated Surplus Reconciliation
Table A9	Asset Management
Table A10	Basic Service Delivery Measurement
SA1	Supporting detail to Budget Financial Performance
SA2	Matrix Financial Position
SA3	Supporting detail to Budget Financial Position
SA 7	Measurable performance objectives
SA8	Performance indicators and benchmarks
SA9	Social, economic and demographic statistics and assumptions
SA10	Funding measurement
SA11	Property rates summary
SA12 and 13	Property rates by category
SA14	Household bills
SA15	Investment particulars by type
SA16	Investment particulars by maturity
SA17	Borrowing
SA18	Transfers and grant receipts
SA19	Expenditure on transfers and grant programme
SA20	Reconciliation of transfers, grant receipts and unspent funds
SA22	Summary councillor and staff benefits
SA 23	Salaries, allowances and benefits (political office bearers, Councillors and senior managers)
SA 24	Summary of personnel numbers

LIST OF FIGURES AND TABLES

NO	DESCRIPTION
SA25	Budgeted monthly revenue and expenditure
SA26	Budgeted monthly revenue and expenditure by municipal vote
SA27	Budgeted monthly revenue and expenditure by standard Classification
SA28	Budgeted monthly capital expenditure by municipal vote
SA29	Budgeted monthly capital expenditure by standard Classification
SA30	Consolidated budgeted monthly cash flow
SA31	Aggregated entity budget
SA32	List of external mechanisms
SA33	Contracts having future budgetary implications
SA34	Capital expenditure by asset class
SA35	Future financial implications of the capital budget
SA36	Detail capital expenditure
SA37	Projects delayed from previous financial year(s)
Annexure 1	Detailed budget related policies

GLOSSARY OF TERMS AND ACRONYMS

Acronym

Budget Steering Committee : A strategic planning forum aimed at identifying key spending priorities for the municipality

Budget related policies : Policies of a municipality that affect or are affected by the budget.

CAPEX: Capital expenditure, spending on municipal assets such as land, buildings, roads, etc.

CPIX: Consumer price index excluding interest on mortgages

CPI: Consumer price index

GAAP: Generally Accepted Accounting Practice

COGTA: Cooperative Governance and Traditional Affairs

GRAP: Generally Recognised Accounting Practice

FBS: Free basic services

IDP: Integrated Development Plan, a strategic document detailing the City's medium term plan for development.

IGR: Intergovernmental relations

ICT: Information and communication technology

LED: Local economic development

MFMA: Municipal Financial Management Framework, Act 56 of 2003, legislation providing a framework for financial management in local government.

MIG: Municipal Infrastructure Grant

MSA: Municipal Systems Act, Act 32 of 2000.

MTB: Medium Term Budget, a three year financial plan of a municipality.

MTBPS: Medium Term Budget Policy Statement

NT: National Treasury of South Africa

OPEX: Operating expenditure, spending on the day to day operational activities such as salaries and wages, repairs and maintenance, general expenses.

SALGA: South African Local Government Association

SDBIP: Service Delivery and Budget Implementation Plan, a detailed plan containing quarterly performance targets and monthly budget estimates.

LIST OF VOTES

- ✚ Executive and Council
 - Office of the Mayor
 - Municipal Manager
 - Office of the Speaker
- ✚ Finance and Admin
 - Financial Services
 - Stores
 - Corporate Services
 - Computer Centre
 - Workshop and Fleet Management
- ✚ Planning and Development
 - Town planning
 - Town Land
 - Local Economic Development
- ✚ Community and Social Services
 - Town Hall and Offices
 - Cemeteries
 - Community Services
 - Libraries
 - Museum
- ✚ Housing
 - Housing
 - Hostels
- ✚ Public Safety
 - Civil Defence
 - Fire
 - Traffic
- ✚ Sports and Recreation
 - Sports
 - Swimming Pools
 - Parks
- ✚ Waste Management
 - Cleansing
- ✚ Waste Water Management
 - Sewer Network
 - Sewer Purification
- ✚ Road Transport
 - Roads
- ✚ Water
 - Water Networks
 - Water Purification
 - Irrigations
- ✚ Electricity
- ✚ Technical Services and PMU

 Other

PURPOSE

The main strategic outcomes of the budget are to ensure:

- ✚ Modernizing financial management and improving accountability.
- ✚ Compilation of credible three year budgets.
- ✚ Deepening and improving the budget preparation process, by involving the political leadership and community.
- ✚ Ensuring that the IDP and Budget are linked, and that the IDP takes account of budgetary resources, and contain proper capital and operational plans.
- ✚ Improving the in-year implementation and reporting of the budget.
- ✚ Improving the audit and performance reporting after the financial year has ended.

The purpose of this document is to submit the 2013/14 medium-term budget (MTB) for consideration by Council and community consultation on the proposed tariff increases, projects and service delivery programmes.

The budget was compiled within the framework of the Municipal Finance Management Act, No 56 of 2003 (MFMA), MFMA Circular No 67 of the National Treasury and the New Municipal Budget Regulations.

MFMA Circular No 67 provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their 2013-14 MTREF budgets.

These issues include; Impact of Census 2011, Macro economic performance and projections(Inflation forecasts and Employee related costs), revising rates, tariffs and other charges, Eskom bulk tariff increases, water tariffs, Conditional transfers to municipalities, funding choices and management issues, the municipal budget and reporting regulations etc.

On 17 April 2009 the Minister of Finance gazetted new Municipal Budgeting and Reporting Regulations on Government Notice no 393 of 2009. Final budget schedules and related formats to be used for the 2013/14 MTREF were issued by the National Treasury in December 2012.

Ngwathe Local Municipality has completed the draft 2013/14 MTREF budget using the latest budget schedules and related formats (version 2.5) and has therefore complied with the MFMA reporting regulations.

PART 1

Mayors Budget Speech

To be inserted

CHAPTER1: EXECUTIVE SUMMARY

CHAPTER1: EXECUTIVE SUMMARY

The municipality's projected overall spending envelope for the 2013/14 budget amounts to R500.7 million. Approximately R426.8 million will be spent on the operating budget and R73.9 million will be invested in capital infrastructure.

Ngwathe Municipality's 2013/14 MTB was guided by the following principles:

The 9 Key budget Outcomes as outlined by the National Treasury, namely

- ✚ Credibility - to determine if the budget is funded in terms of Section 18 of the MFMA and whether the municipality adopted a budget process with evidence of sufficient political oversight and public participation. Political oversight and guidance is crucial for the budget process as the approval of the budget is the responsibility of Council and not that of the Budget and Treasury Office. The budget brings effect to Council priorities and hence these priorities should be financially sustainable and Council must ensure that its priorities are affordable from a budgeting perspective. In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.
- ✚ Relevance - to test if the budget is aligned to the reviewed Integrated Development Plan (IDP) of the municipality and the extent to which national and provincial priorities, including MFMA Circulars 58 and 59, were considered.

- ✚ Sustainability - to determine whether the budget gives effect to the long-term financial and operational sustainability of the municipality. This is crucial as the budget is analysed over the MTREF.
- ✚ Political Oversight - of the budget compilation process and more specifically a summation of the political and management oversight committees and the purpose of these structures / committees. How priorities / projects were determined and did these structures / committees play an active role in decision making? Must provide insight that the budget process is underpinned by direct Political Involvement and Decision making and Accountability by the Mayor and the Municipal Council
- ✚ Compliance - Must be in compliance to the municipal budget regulations, format and procedures
- ✚ Community Participation - Effective Community Participation with specific reference where the Citizens are completely knowledgeable of the following, namely
 - ✓ Tariff setting and modelling
 - ✓ The requirements of the revenue related policy imperatives i.e. credit control, indigent and municipal services debt management policies
 - ✓ The key service delivery infrastructure projects
 - ✓ The facilities created and managed by the municipality to enhance revenue management. This will include the functionality of the Consumer Call Centre Desk
 - ✓ The process and procedure that would be managed with regards to Indigent applications and approval
 - ✓ The coordinated process between the Division – Revenue Management and Division – Infrastructure/ Technical Services for the disconnection and reconnection of municipal services
- ✚ The placement of the 2013/14 Budget Documentation on the Municipal Website
- ✚ The adoption of the final municipal budget by no later than 31 May 2013
- ✚ The Implementation Plan to commence the SCM procedures and processes should commence by mid-March 2013. The Plan must strive

to ensure that time delays are severely restricted, including implementation of initiatives to achieve effective spending

- ✚ Maintaining the commitment to deliver quality and sustainable services;
- ✚ Reviewing all municipal services and programmes and consider ring fencing key services to ensure efficiency and effectiveness;
- ✚ Ongoing costs should be funded with ongoing revenues by aligning continuing expenditures with continuing revenues, on a level that can be reasonably sustained and reduce reliance on grant funding;
- ✚ Further managing down general expenditure and contracted services. The choice of a service provider should be based on which service provider can provide the service most effectively at the lowest cost; and
- ✚ Monitoring of Eskom account by checking and verifying consumption by installing consumer and bulk meters;
- ✚ Scaling down maintenance costs of vehicles
- ✚ Maintaining all assets at a level adequate to protect the capital investment and minimise future maintenance and replacement costs.
- ✚ Managing and monitoring of overtime by supervisors and management;
- ✚ Monitoring of ICT costs (laptops, computers, printers, etc);
- ✚ Holding conferences, meetings, workshops and seminars in the municipal premises;
- ✚ Renegotiating best market prices;
- ✚ Limiting purchasing of furniture; and
- ✚ Limiting office renovations.

Despite the challenges the municipality faces resultant of faulty and bridged meters, and theft of electricity, the municipality achieved substantial progress with regard to service delivery.

Through MIG grants financed by COGTA and DME grants financed by department of energy, the municipality aims to eliminate backlogs and extend access to water and sanitation and electricity services to residents. The municipality will also improve access roads in all towns within Ngwathe area.

As per Census 2011 conducted by statistics SA, in 2001 51 percent of households had flushing toilets connected to sewerage but in 2011 this percentage increased to 74.5 percent. In 2001 58 percent of total households in the municipal area had their refuse removed at least once a week and in 2011 this percentage increased to 81.9 percent. In 2001 only 23.5 percent of total households within the municipal boundary had piped water inside their

dwellings, in 2011 this percentage rose to 44.7 percent. The percentage of households with access to electricity for lighting increased to 92 percent in 2011 from 83.9 percent in 2001. The general increasing trend in the provision of household services suggests that the municipality, with assistance from provincial and National government, has made strides in eliminating household services backlog, however having said that there is still a large percentage of households within the municipal area who do not enjoy minimum levels of household services.

The financial position of the municipality is under tremendous pressure. The Office of the Auditor-General withheld opinion on Ngwathe Municipality's financial statements in 2009/10, 2010/11 and 2011/12 reflecting the lack of supporting documentation, and going concern uncertainties as main challenges. The overall financial performance results for the 2008/09 year reflect an operating deficit of R96.4 million. The municipality's cash position has declined in the 2011/12 financial year with a deficit of R 101 million. Due to interventions implemented by the municipality, especially in the sale of electricity and revenue enhancement programmes proposed to be implemented, the municipality is expected to have a surplus for the current financial year.

The Integrated Development Plan (IDP) is the primary point of reference for preparing the municipal budget.

Our aim is to align the municipality's limited financial resources to the municipality's strategies, priorities, and strategic plans.

The 2013/14 budget continues to address the following key IDP priorities:

- ✚ Eradicate social inequalities,
- ✚ Address the burning issue of Electricity,
- ✚ Deliver services (including provision of portable water, electricity, sanitation, refuse removal, roads and storm water),
- ✚ On-going upgrading of our technology in the municipal administration
- ✚ As well as growing the economy and job creation

The IDP takes cognisance of the national, provincial and district priorities. In terms of IGR, the municipality has been involved in engagements, such as DCF, and Free State Premier's Operation Hlasela in the past years.

In response to the Municipal Property Rates Act, the municipality will implement the supplementary valuation roll by the 1st of October 2013 also reflecting the market value of properties from 01 July 2013. This includes the

improvements that have been made on properties, not just the value of the land.

The General Valuation Roll at February 2013 had **39 297** properties, with a market value of **R18.2 billion**

- o The municipality revised its Indigent Policy to further enhance access to its services by households. The revised policy aims at extending the coverage of subsidies to those who are in need, without necessarily burdening the municipality's fiscus, and ***15kwh of electricity to non-indigents will be discontinued in phases from 2013/14, reduction of 5kw per annum.***
- o The reason for discontinuing is due to the Municipality not being able to effectively service the Eskom account and may result in the disconnection of Electricity to community members.



CHAPTER 2: THE BUDGET

CHAPTER 2: THE BUDGET

Ngwathe Municipality's projected overall spending envelope for the 2013/14 MTREF amounts to R1, 6 billion (total for the next three financial years). Approximately R 1, 4 billion will be spent in the operating budget and R159.7 million will be invested in capital infrastructure over the MTREF period.

Operating Expenditure budget for 2013/14, 2014/15 and 2015/16 amount to R457.9 million, R479.4 million and R504.2 million respectively.

Operating budget

Ngwathe Local Municipality presents an Operating Revenue Budget of R457.9 million and Operating Expenditure Budget totalling R457.9 million for the 2013/14 financial year. This estimate indicates an increase of 9.9 % on revenue and an increase of 8 % on expenditure from the 2012/13 original budget.

The table below sets out the medium-term revenue and expenditure budget for the 2012/13 to 2013/14 period.

FS203 Ngwatho - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
Revenue By Source											
Property rates	2	54 833	52 341	68 562	41 150	41 150	45 918	–	48 489	51 108	53 868
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	52 011	78 201	70 468	133 490	133 490	125 231	–	133 997	143 377	153 414
Service charges - water revenue	2	31 857	22 503	31 208	17 663	17 663	33 507	–	35 685	37 969	40 399
Service charges - sanitation revenue	2	22 540	24 419	28 433	25 684	25 701	31 314	–	33 068	34 853	36 736
Service charges - refuse revenue	2	20 340	21 607	24 757	18 941	18 941	26 488	–	27 971	29 482	31 074
Service charges - other		(6 491)	(14 372)		5 396	6 319			3 817	4 023	4 280
Rental of facilities and equipment		1 030	1 574	252	1 374	1 131			2 242	2 363	2 514
Interest earned - external investments		14 013	13 447	575	–	1			575	575	597
Interest earned - outstanding debtors		–	–	17 103	9 972	4 972			9 251	9 750	10 374
Dividends received						–			1	1	2
Fines		609	1 113	775	1 500	1 200			2 430	2 573	2 717
Licences and permits						–					
Agency services						–					
Transfers recognised - operational		104 736	126 766	160 047	157 276	157 276			159 631	162 462	167 618
Other revenue	2	3 750	4 038	2 137	2 530	2 530	–	–	834	880	936
Gains on disposal of PPE		–	–	–	1 578	1 578					
Total Revenue (excluding capital transfers and contributions)		299 228	331 637	404 317	416 553	411 951	262 458	–	457 992	479 417	504 527
Expenditure By Type											
Employee related costs	2	93 833	117 048	119 273	127 735	126 210	–	–	132 068	143 288	152 447
Remuneration of councillors		7 764	8 314	8 615	9 738	9 138			9 793	10 322	10 879
Debt impairment	3	132 660	18 959	49 058	12 325	12 325			44 398	37 792	39 283
Depreciation & asset impairment	2	30 868	112 461	98 144	2 118	2 118	–	–	2 200	2 319	2 444
Finance charges		3 337	6 379	10 389	3 707	3 707			2 900	4 480	4 706
Bulk purchases	2	34 113	111 659	114 069	142 203	142 203	–	–	152 157	160 373	169 033
Other materials	8		16 258								
Contracted services		4 337	3 833	1 884	15 458	14 458	–	–	15 880	17 517	18 384
Transfers and grants		–	–	–	36 006	36 006	–	–	38 526	40 607	42 800
Other expenditure	4, 5	88 749	51 079	103 929	74 754	72 133	–	–	60 071	62 719	64 552
Loss on disposal of PPE											
Total Expenditure		395 661	445 990	505 361	424 044	418 297	–	–	457 992	479 417	504 527
Surplus/(Deficit)		(96 433)	(114 353)	(101 044)	(7 491)	(6 346)	262 458	–	(0)	(0)	(0)
Transfers recognised - capital		54 338	44 547		50 441	50 441			67 889	39 903	41 916
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		(42 095)	(69 806)	(101 044)	42 950	44 095	262 458	–	67 889	39 903	41 916
Taxation											
Surplus/(Deficit) after taxation		(42 095)	(69 806)	(101 044)	42 950	44 095	262 458	–	67 889	39 903	41 916
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(42 095)	(69 806)	(101 044)	42 950	44 095	262 458	–	67 889	39 903	41 916
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(42 095)	(69 806)	(101 044)	42 950	44 095	262 458	–	67 889	39 903	41 916

The municipality is projecting a balanced budget.

The municipality has budget for depreciation amounting to R 2.2 million. The depreciation has been grossly understated taking into account the total asset value (R 1.3 billion) disclosed in the municipal asset register. The municipality should budget for depreciation in line with the asset management policy.

Revenue

The increase of 9.9 percent in revenue is mainly as a result of the increase in service charges revenue. Operating grants for the financial year amount to R159.6 million. Operating grants include equitable share (R156.2 million), Financial Management Grant (R1.6 million), Expanded Public Works Program (R1million) and Municipal Systems Improvement Program (R890 000). The operating budget is mainly funded by own revenue, budgeted own revenue makes up 65.1 percent of the financial budget and grants contribute 34.9 percent.

Tariffs

The intention of the Municipality is to provide the best services and address all the challenges facing services delivery. The tariff charge is affected by a variety of external factors such as inflation and increases in the cost of bulk purchases, to an extent by some national government policy decisions, certain international factors as well as the employment and affordability demographics of the Ngwathe's residents.

Ngwathe Municipality has budgeted for average tariff increases of 5.6 percent as per the cpix, 7 per cent for electricity charges.

The municipality has implemented the Municipal Property Rates Act and valuation on properties within Ngwathe from 01 July 2009 and **Property Rates tariffs** has been increased by 5.6 percent and will be as follows for the 2013-14 budget year;

- For residential, businesses, agriculture and government will be kept at **0.0099**; **0.0186**; **0.0099**, and **0.0248** respectively.
- First **R42 000** of the market value on **residential** properties and **25%** of the market value on agriculture and public infrastructure services will be exempted.

Expenditure

Year-on-year the operating expenditure budget has increased by 8 percent. The increase is mainly due to increases in Employee related costs and provision of free basic services to indigent households. Other expenses were decreased by 19.6 percent compared to the 2012/13 budget.

The basic salary and wage component of Employee related costs was increased by 6.85 percent (CPIX 5.6 percent plus 1.25 percent) as per MFMA circular 67 and the SALGA salary and wage collective agreement. Other components such as other allowances and vehicle allowances were decreased.

2013/14 budget has been prepared on the basis of limited resources, however it is acknowledged that the municipality still needs to fund programmes and continue to invest in its infrastructure to ensure that service delivery is maintained and remain responsive to the community's needs.

Capital budget

The total estimated capital budget for the 2013/14 financial year amounts to R73.9 million. This represents an increase of R21.7million when compared to the previous financial year.

The capital budget will be funded by MIG and DME grants and external borrowings; due to financial constraints the municipality will not be able to fund any capital projects internally.

R2.4 million from the MIG allocation is reserved for the PMU's salaries and other operating expenditure.

The proposed capital budget projects spending plan amounts to approximately R159.7 million over the next three-year period.

The table below reflects the medium-term capital budget over the next three years.

FS203 Ngwathe - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Admin		-	-	-	1 300	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	450	-	-	-	-	-	-
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		-	-	-	10 913	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 11 - Water		-	-	-	37 000	-	-	-	-	-	-
Vote 12 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 13 - Technical Services and PMU		-	-	-	2 528	-	-	-	-	-	-
Vote 14 - Other		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	52 191	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		58 381	3 956	759	-	4 000	-	-	-	-	-
Vote 2 - Finance and Admin		-	-	780	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		-	-	-	-	7 825	-	-	8 604	10 789	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		-	-	6 741	-	8 913	-	-	13 596	9 150	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	9 602	8 823	-
Vote 11 - Water		-	-	-	-	32 094	-	-	19 693	9 146	-
Vote 12 - Electricity		-	-	-	-	12 500	-	-	20 000	-	-
Vote 13 - Technical Services and PMU		-	-	-	-	2 522	-	-	2 394	1 995	-
Vote 14 - Other		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		58 381	3 956	8 281	-	67 854	-	-	73 889	39 903	-
Total Capital Expenditure - Vote		58 381	3 956	8 281	52 191	67 854	-	-	73 889	39 903	-
Capital Expenditure - Standard											
Governance and administration		58 381	3 956	1 539	1 300	4 000	-	-	-	-	-
Executive and council		58 381	3 956	759	-	4 000	-	-	-	-	-
Budget and treasury office		-	-	-	300	-	-	-	-	-	-
Corporate services		-	-	780	1 000	-	-	-	-	-	-
Community and public safety		-	-	-	450	7 825	-	-	8 604	10 789	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	7 825	-	-	8 604	10 789	-
Public safety		-	-	-	450	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	-	9 602	10 823	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	9 602	10 823	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	6 741	47 913	53 507	-	-	53 289	18 296	-
Electricity		-	-	-	-	12 500	-	-	20 000	-	-
Water		-	-	-	10 913	8 913	-	-	19 693	9 146	-
Waste water management		-	-	6 741	37 000	32 094	-	-	13 596	9 150	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	2 528	2 522	-	-	2 394	1 995	-
Total Capital Expenditure - Standard	3	58 381	3 956	8 281	52 191	67 854	-	-	73 889	41 903	-
Funded by:											
National Government		50 398	3 759	7 522	50 441	63 854	-	-	67 889	39 903	41 916
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	50 398	3 759	7 522	50 441	63 854	-	-	67 889	39 903	41 916
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	197	759	1 750	4 000	-	-	6 000	2 000	2 000
Total Capital Funding	7	50 398	3 956	8 281	52 191	67 854	-	-	73 889	41 903	43 916

The 2013/14 capital budget will focus on the following:

- + Vredefort: Water and sewer connection in Mokwalo section, 1625 houses amounting to R 6.5 million and R650 000 in 2014/15
- + Heilbron: Upgrading of sewer treatment works (ID-158007) amounts to R 10.9 million and additional R8.5 million will be made available for the 2014/15,
- + Parys: Upgrading of sewer treatment works R 2.7 million
- + Parys: Refurbishment and upgrading of Water Treatment Works Phase 3 (MIS:171059) amounts to R13.2 million and a further R6.1 million for the 2014/15,
- + Koppies: Refurbishment of the tennis court – R 100 000
- + Fencing of Munmec sports facility – R 1.7 million and R150 000 in 2014/15
- + Phiritona: Construction of the Sports Complex – R 2.4 million and R 420 000 in 2014/15.
- + Schonkenville: Refurbishment of the sports complex – R 1.9 million and R 420 000 in 2014/15.
- + Edenville: Paving of internal roads 1km. – R 575 892 and R 570 344 in 2014/15 financial year.
- + Koppies: Paving of internal roads 1km. – R 525 892 and R 570 344 in 2014/15 financial year.
- + Ngwathe (Edenville): Construction of sports facilities – R 2.5 million and R 313 085 in 2014/15 financial year.
- + Kwakwatsi: Construction of sports facilities – R 1.3 million and R 3.5 million in the 2014/15 financial year.
- + Parys: Upgrade of low level bridge in Mandela Section, Tumahole – R2.5 million and R 2.5 million in the 2014/15 financial year.
- + Refurbishment of Infrastructure – R 20 million.
- + Refurbishment of town roads – R 6 million

PART 2

CHAPTER 3: OVERVIEW OF THE ANNUAL BUDGET PROCESS

CHAPTER 3: OVERVIEW OF THE ANNUAL BUDGET PROCESS

In terms of the Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. The MFMA aims to put in place a sound financial framework and sets out timelines for budget preparations and approval.

The budget process for 2013/14 commenced with planner sessions held by Finance Managers,

The session undertook a strategic assessment of both financial and non-financial past performance of the municipality.

IDP consultation and public hearings will held in all 20 wards of Ngwathe Municipality from April to May 2013 as per schedule below.

Draft MTB estimates for the 2012-13 were determined and issued to all departments to prepare their draft budgets in line with the allocations in March 2012.

Budget and IDP strategic planning sessions were held on 19th and 20th of March to consider inputs of all departments.

The Medium Term Budget, outlining the projected budget parameters and spending levels for the 2013/14 budgeting cycle, was presented at Steering Committee Meeting held on 09 April 2013.

The draft MTB was tabled at a Council meeting held on 11 April 2013.

Subsequent to the tabling, the draft budget and proposed tariffs were published for stakeholders and public comments during April and May 2013. Advertisements will be placed in local and provincial newspapers, and the draft budget and tariff reports will be made available on the municipality's website and all municipal offices (Parys, Heibron, Vredefort, Koppies and Edenville) as well as all libraries within Ngwathe municipal area.

As per legislative requirements, the draft budget and tariffs will be submitted to Provincial and National Treasury for comments. Public participation will be open for 30 days.

Provincial Treasury undertook an evaluation of the municipal budget and provided response and inputs to the budget. On 21.05.2013 the Provincial

treasury together with the municipality held a working session to ensure that all inputs from provincial treasury, public participation and other stakeholders has been incorporated into the budget.

The table below outlines the timelines for the overall process of Budget, Tariffs and IDP.

Liebenbergstrek

P.O. Box 359

PARYS

9585

Tel: +27 (0) 56 816 2703/2767

Fax: +27 (0)56 8111 2046

Email: tsekedip@ngwathe.co.za



OFFICE OF THE MAYOR

IDP AND BUDGET PUBLIC PARTICIPATION NOTICE

The Mayor of Ngwathe Local municipality, Cllr Joey Mochela is in terms of the provisions of the Local Government: Municipal Finance Management Act: Chapter 4, Section 21 read together with the Local Government: Municipal Systems Act 32 of 2000: Chapter 5 Section 29 extending the invitation of inputs and comments on the draft Reviewed IDP 2013-14 and the draft Budget 2013-14 from members of the community.

Public Participation Process will also be commencing according to the following schedule and members of the public are encouraged to attend the meetings in their respective wards.

People who cannot read or write are advised to visit the municipal offices for assistance with transcribing their thoughts.

Date	Town	Ward	Venue	Time	Ward Councillors
15/04/2013	PARYS	6 & 8	Boitlamo	16:30	Cllr N Ndlovu & Cllr D Vandisi,
		9	Ntshwephepha	16:30	Cllr M Mbele,
16/04/2013	PARYS	10	Tambo ZCC sport ground	16:30	Cllr M Mofokeng,
		11	Botjhabatsatsi	16:30	Cllr N Mopedi
17/04/2013	PARYS	12	Mosepeli Hall	16:30	, Cllr D Modiko,
		13 & 18	Parys Town Hall	16:00	Cllr Spence & Cllr J La Cock
18/04/2013	PARYS	14	Schonkenville Hall	16:30	Cllr V De Beers
	Vredefort	20	Montoele Hall	16:30	Cll M Ranthako
22/04/2013	VREDEFORT	15	King's motel	16:30	Cllr L Mehlo
		16	SS Paki	16:30	Cllr K Khumalo
23/04/2013	HEILBRON	1	Sandersville Hall	16:30	Cllr S Bocibo
		3	Phiritona Hall	16:30	Cllr P Ndayi.
24/04/2013	HEILBRON	4	Rearabetswe	16:30	Cllr M Mofokeng
		5	Piano ground	16:30	Cllr M Radebe
25 /04/2013	HEILBRON	7	Greenfield	16:30	Cllr S Mvulane
	EDENVILLE	19	Ngwathe hall	16:30	Cllr M Ramabitsa
29 /04/2013	KOPPIES	2	Kwakwatsi Hall	16:30	Cllr M Masoa
		17	Ipatleleng	16;30	Cllr P Choni

The draft documents will be available from the **12th April 2013 to 5th May 2013** at all municipal offices, libraries as well as the municipal website **ngwathe.fs.gov.za**, subsequently inputs or comments may also be submitted at the above areas or alternatively mailed to/ handed at :

The Municipal Manager

Ref: IDP/Budget Inputs

PO Box 359/

Liebenbergstrek

Parys

9585

Enquiries can be directed to:

Pule Tsekedi

SESM

Email: tsekedip@ngwathe.co.za

Tel: 056 816 2700

Themba Mpindo

Acting Budget & Expenditure Manager

mpindo@ngwathe.co.za

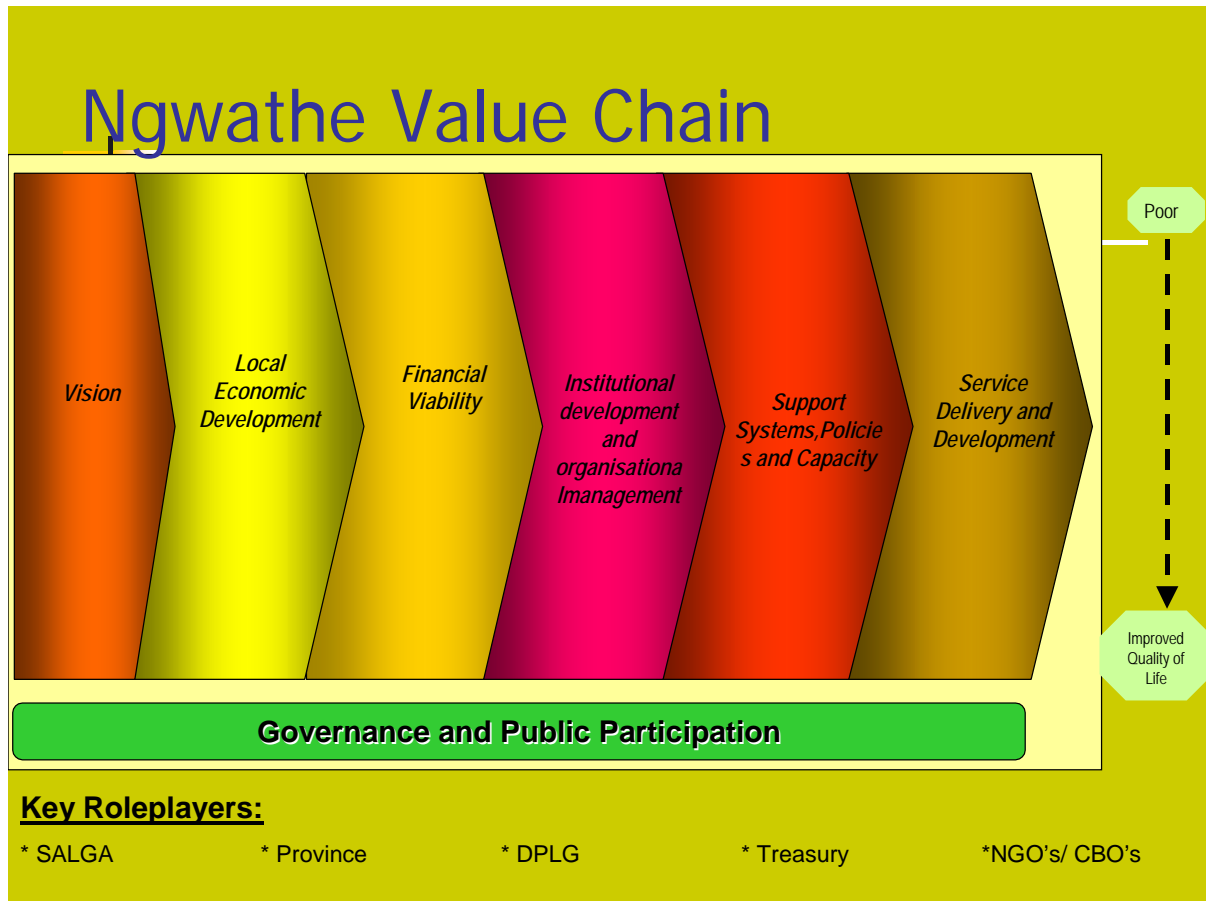
Tel: 056 816 2700



CHAPTER 4: OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET

CHAPTER 4: OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET WITH THE IDP

The municipality's IDP contains the medium-term focus areas for development. These focus areas set the agenda for resource planning and allocation over the medium term.



Council has set the following priorities:

- ✚ A safe, clean and green municipality;
- ✚ A well-governed and managed municipality;
- ✚ Housing and services; and
- ✚ Economic growth and job creation.
- ✚ Deliver more and better services in a caring and efficient manner;
- ✚ Hold political office bearers and public servants accountable;
- ✚ Shift resources to new priorities;
- ✚ Move from debate to effective implementation and decisive action; and
- ✚ Work in partnership with communities, labour and business to achieve our shared objectives.
- ✚ Promote and encourage sports development.

The 2013/14 budget continues to address the following IDP interventions:

Infrastructure and Service delivery

This KPA is performed through Technical Services and Community Services Directorates including Administrative Units. The municipality renders the following basic services to the residents in the urban areas; Water Provision; Sewerage Disposal; Refuse Removal and Electricity Provision. Other services rendered by the municipality to residents, include; Streets and Storm Water, Parks, Sports and Recreational Facilities; Cemeteries, Libraries, Primary Health Care, Fire Fighting Services, Traffic Control and Town Planning. The main challenges remain eradication of the bucket system, bulk water supply to Edenville, development of parks, refuse removal, road maintenance and the finalisation of the town planning scheme.

Ngwathe Municipality Water, Sanitation, Electricity, Sports Facilities and Roads **Infrastructure Budget** for 2013/14 amounts to **R73.9 million** plus **R20.2 million** budgeted for repairs and **maintenance of infrastructure**.

The following infrastructure development projects are being implemented;

Water Provision

- ✚ Parys: Refurbishment and upgrading of Water Treatment Works Phase 3 (MIS:171059) amounts to R13.2 million and a further R6.1 million for the 2014/15,
- ✚ Vredefort: Water and sewer connection in Mokwalo section, 1625 houses amounting to R 6.5 million and R650 000 in 2014/15

Sanitation

- ✚ Heilbron: Upgrading of sewer treatment works (ID-158007) amounts to R 10.9 million and additional R8.5 million will be made available for the 2014/15,
- ✚ Parys: Upgrading of sewer treatment works R 2.7 million

Road Transport

- ✚ Parys: Upgrade of low level bridge in Mandela Section, Tumahole – R2.5 million and R 2.5 million in the 2014/15 financial year.
- ✚ Edenville: Paving of internal roads 1km. – R 575 892 and R 570 344 in 2014/15 financial year.
- ✚ Koppies: Paving of internal roads 1km. – R 525 892 and R 570 344 in 2014/15 financial year.
- ✚ Refurbishment of town streets/roads – R 6 million

Sports Facilities

- ✚ Koppies: Refurbishment of the tennis court – R 100 000
- ✚ Fencing of Munmec sports facility – R 1.7 million and R150 000 in 2014/15
- ✚ Phiritona: Construction of the Sports Complex – R 2.4 million and R 420 000 in 2014/15.
- ✚ Schonkenville: Refurbishment of the sports complex – R 1.9 million and R 420 000 in 2014/15.
- ✚ Ngwathe (Edenville): Construction of sports facilities – R 2.5 million and R 313 085 in 2014/15 financial year.
- ✚ Kwakwatsi: Construction of sports facilities – R 1.3 million and R 3.5 million in the 2014/15 financial year.

Electricity

- ✚ Refurbishment of Municipal Electricity infrastructure – R 20 million.

Free Basic Services

- ✚ The Municipality anticipates spending approximately **R38.5 million** on its social package, which covers free basic electricity, refuse removal, sanitation, free basic water and the property rates rebates in the 2013-14 financial year.
- ✚ All households in the Municipality are entitled to 6 kilolitres of free water per month and 50-kilowatts of free electricity to indigent households and 15 khw which will be reduced by 5khw to non-indigents.

CHAPTER 5: MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Refer to the IDP for measurable performance objectives

CHAPTER 6: OVERVIEW OF BUDGET-RELATED POLICIES















Budgeting is central to the process of prioritising for service delivery and the management of the functions of Council.

The municipality's budgeting process is guided and governed by relevant legislation and budget related policies.

The following are the key policies that affect or are affected by the annual budget:

Revenue collection and credit control by-laws have been compiled and approved by council on 31 January 2013. The by-laws will be promulgated and gazette by end of April 2013 for implementation from 1 July 2013.

The following policies have been reviewed or are in the process of being reviewed;

-  Credit control and debt collection policy
-  Indigent Policy
-  Property Rates policy
-  Tariffs Policy
-  Banking and Investment Policy
-  Budget Policy
-  Transfers and Veriments Policy
-  Subsistence and Travelling Policy
-  Asset Management and Replacement Policy
-  Cellphone Policy
-  Risk Management Policy
-  Fruitless and Wasteful Expenditure
-  Funding and Reserves
-  Borrowings Policy

- ✚ Accounting Journal entries
- ✚ Bad Debts policy

Credit Control and Debt Collection Policy

- ✚ Credit Control will be strictly implemented on non-indigents
- ✚ Councilors and ward committees will assist in encouraging consumers to pay for services.
- ✚ A data purification project has been established
- ✚ A database containing all civil servants has been established
- ✚ All Municipal employees and Councilors are encouraged to sign stop orders.

Indigent Policy

Categories:

Category A: Full Subsidy

Households with monthly income between (R0- R 1200) per month (in 2012-13) increases to threshold of (R0- R 1300) per month (in 2013-14)

Category B: R160

Households with monthly income between (R1201 - R 2040) per month (in 2012-13) increases to threshold of (R1300 - R 2100) per month (in 2013-14)-

Verification of indigents is done once a year.

CHAPTER 7: OVERVIEW OF BUDGET ASSUMPTIONS

Budget assumptions provide a comprehensive summary of all assumption made in preparing the budget proposals. Macro and micro economic matters, internal and external factors are taken into consideration.

The 2013/14 – 2015/16 Medium Term Budget has been prepared within a highly volatile and highly uncertain economic environment, making the budgeting process even more challenging.

Division of Revenue Act

The Division of Revenue Bill for 2013/2014 was utilized to determine the Equitable Share, Councilors remuneration subsidy, Financial Management Grant, Municipal Systems Improvement Grant, Expanded public works program grant, and Municipal Infrastructure Grant.

Average Salary increases

Circular 67 and SALGA salary and wage collective agreement - remuneration of employees stipulate that salaries for 2013-14 financial year will be increased by 6.85 percent (CPIX **5.6% plus 1.25 %**).

Price movements on bulk purchases and other expenses

- ✚ Bulk water purchases were raised by **5.6%** - still awaiting guideline from Rand Water
- ✚ Bulk electricity purchases were increased by **7%** according to Eskom guidelines as approved by NERSA.
- ✚ Repairs and Maintenance, General expenses and Capital Expenditure were budgeted based on inputs from all departments within the municipality.

Inflation

According to MFMA circular no 67 issued by the National Treasury, inflation rate is expected to stay between 3 to 6 percent. Consumer price index for 2013/14, 2014/15 and 2015/16 is announced at 5.6 percent, 5.4 percent and 5.4 percent respectively.

Indigent Registration and Approval

The main challenge facing Ngwathe municipality is verification of indigents, and non-availability of consumers during verification processes. Currently the number of registered indigents is estimated at 14 000 and this figure could increase to 17 000 in the 2013/14 financial year.

Supply of Free basic Services

The increase in the number of indigents in the municipal area will mean that additional amount to be spent on indigent subsidies and write-offs. Thus, Ngwathe Municipality will **ONLY** provide free basic electricity (55kw/h) to the indigents.

6kl free basic water continues to be provided to all households

Collection rates for main revenue sources

Collection rate of the 2013.14 year budgeted billing is conservatively estimated at around 65 percent, the allocation of these receipts depend on priority according to the tariff policy. The municipality have budgeted more money on addressing infrastructure maintenance backlogs. With the promulgation and gazetting of the revenue collection and credit control by-laws and the revenue enhancement strategy to be introduced, it is envisaged that revenue collection should increase from 65 percent to around 80 percent in the 2013/14 financial year.

The municipality has estimated that it will incur 100 percent of its bulk costs, contracted services budget and 85 percent of its other expenditure budget for the 2013/14 financial year.

CHAPTER 8: OVERVIEW OF BUDGET FUNDING

Budget funding overview

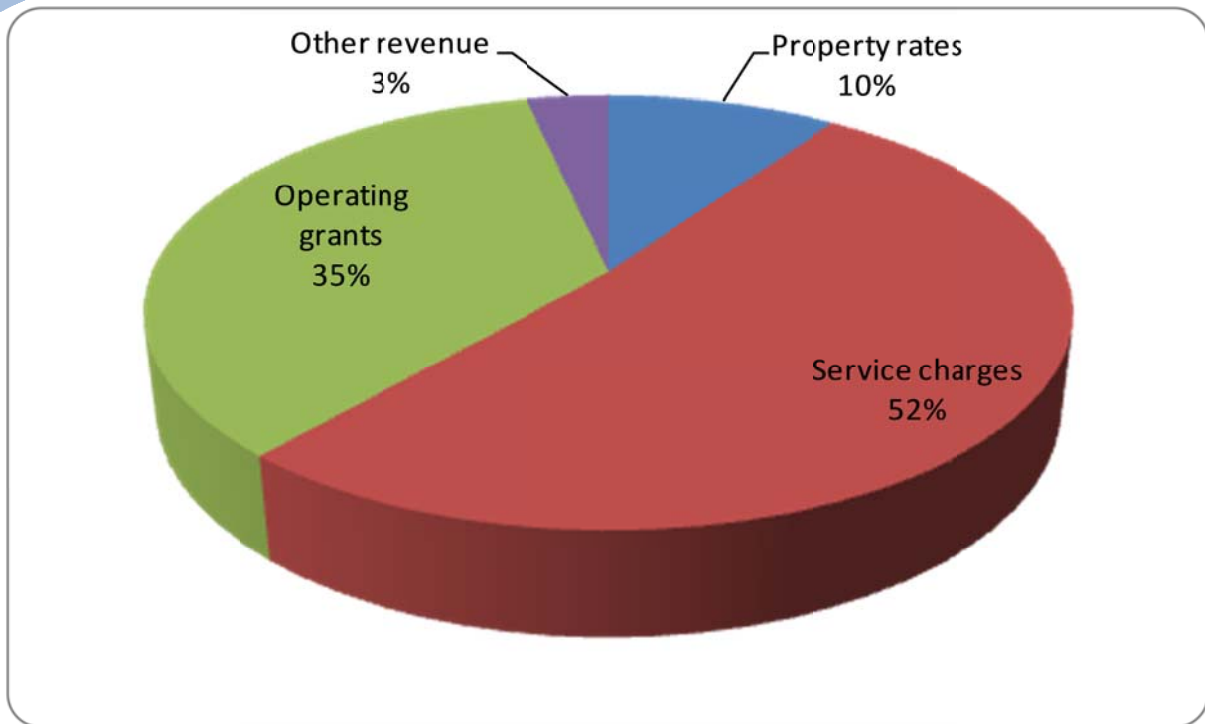
The Medium-Term Revenue and Expenditure Framework represents a detailed three-year operating and capital budget that enables the municipality to meet its operational and strategic objectives for the three years and in the outer years.

Operating Revenue

The table below shows a breakdown of the four funding sources the municipality has at its disposal.

Breakdown of the operating revenue over the medium-term:

Description	2013/14 Budget	%	2014/15 Budget	%	2015/16 Budget	%
<u>Operating Revenue</u>						
Property Rates	R48 489 000	10.0%	R51 108 000	10.6%	R53 868 000	10.7%
Service Charges	R234 538 000	52%	R249 704 000	52%	R265 902 000	52.7%
Operating Grants	R159 631 000	35%	R162 462 000	33.9%	R167 618 000	33.2%
Other Revenue	R 15 333 000	3%	R16 143 000	3.4%	R17 140 000	3.4%
Total Operating Revenue	R457 992 000	100%	R479 417 000	100%	R504 527 000	100%



The 2013/14 MTREF budget is funded from four sources of revenue, namely; Property rates, Service charges, operating grants and other revenue.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the largest component of the revenue base of the municipality totalling R234.5 million for the 2013/14 financial year and increasing to R265.9 million by 2015/16. Services charges amount to 54 per cent of the total revenue base for the 2013/14 financial year.

Operational grants amount to R159.6 million, R162.5 million and R167.6 million for each of the respective financial years of the MTREF. As per the Division of Revenue Act, Ngwathe municipality will, for the 2013/14 financial year, receive allocations relating to the equitable share, Municipal systems Improvement Grant, Expanded public works program and Finance Management Grant.

Revenue billed from property rates amounts to R48.5million, R51.1million and R53.9million for each of the respective financial years of the MTREF, or 10.5, 10.6, and 10.7 respectively.

Other revenue is made up of revenue collected from fines, licenses and permits and other small revenue generating activities undertaken by the municipality.

Capital Revenue

Sources of Capital Revenue over the MTREF

Funded by:	2013/14 Budget	%	2014/15 Budget	%	2015/16 Budget	%
National Government	R 67 889 000	91.9%	R 39 903 000	95.2%	R 41 916 000	95.4%
External loans	R 6000 000	8.1%	R2 000 0000	4.8%	R2 000 000	4.6%
Total Grants Recognised	R 67 889 000	91.9%	R 39 903 000	95.2%	R 41 916 000	95.4%
<u>Total Capital Revenue</u>	R73 889 000	100%	R 41 903 000	100%	R 43 916 000	100%

Capital grants receipts amount to 91.9 percent whilst external borrowings amount to 8.1 percent of the total funding source which represents R73.9million for the 2013/14 financial year and decreases to R43.9million by 2015/16. It is evident that the municipality is heavily dependent on grants to fund its capital expenditure projects.

Measures of financial performance

FS203 Ngwathe - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.0%	2.1%	2.1%	1.7%	1.8%	0.0%	0.0%	1.4%	2.0%	2.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.1%	4.7%	4.4%	2.9%	2.9%	0.0%	0.0%	1.9%	2.8%	2.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	-4.8%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	32450.7%	0.0%	0.0%	13732.2%	0.0%	0.0%	0.0%	10772.1%	9114.7%	7588.4%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.7	1.0	1.0	4.1	1.0	–	–	1.8	1.8	1.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.7	1.0	1.0	4.1	1.0	–	–	1.8	1.8	1.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.0	0.1	0.2	0.1	–	–	0.1	0.1	0.1
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		51.5%	72.4%	75.1%	96.1%	98.0%	0.0%	0.0%	63.0%	77.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			51.5%	72.4%	75.1%	96.1%	98.0%	0.0%	0.0%	63.0%	77.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	28.5%	57.5%	64.0%	78.6%	62.8%	0.0%	0.0%	89.7%	89.2%	88.3%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		-309.4%	5572.6%	692.5%	233.0%	1103.6%	0.0%	0.0%	18297.6%	13505.4%	27309.5%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	Total Volume Losses (k?)										
	Total Cost of Losses (Rand '000)										
Employee costs	Employee costs/(Total Revenue - capital revenue)	31.4%	35.3%	29.5%	30.7%	30.6%	0.0%	0.0%	28.8%	29.9%	30.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	33.0%	35.5%	0.0%	33.0%	32.9%	0.0%		31.0%	32.0%	32.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.0%	11.1%	0.0%	5.0%	5.1%	0.0%		4.4%	4.0%	4.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.4%	35.8%	26.8%	1.4%	1.4%	0.0%	0.0%	1.1%	1.4%	1.4%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	11.8	11.3	17.9	29.9	29.9	29.9	–	23.2	23.3	24.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	48.4%	102.4%	115.7%	134.4%	105.8%	0.0%	0.0%	144.1%	141.1%	138.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.9)	0.1	1.0	1.2	0.7	–	–	0.0	0.1	0.0

- Current ratio shall be around 1.8 in the 2013/14 financial year.
- Interest and capital payment of borrowings as a percentage of operating expenditure is 1.4 percent.
- Salaries are 31 percent of the total operating budget.
- Cost coverage ratio is indicated to be negative 0.
- Total repairs and maintenance as a percentage of total operating expenditure amount to 4.4 percent.

The municipality will increase tariffs for its services and taxes as follows for 2013/14;

Service	% Increase
Electricity	7%
Water	5.6%
Refuse and Sanitation	5.6%
Property rates	5.6%

CHAPTER 9: EXPENDITURE ON TRANSFERS AND GRANT PROGRAMME

FS203 Ngwathe - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		105 978	128 766	-	157 276	-	-	159 631	162 462	167 618
Local Government Equitable Share		103 928	126 766		153 983			156 191	159 928	165 001
EPWP Incentive					993			1 000	-	-
Municipal Systems Improvement		1 300	1 000		800			890	934	967
Finance Management		750	1 000		1 500			1 550	1 600	1 650
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	105 978	128 766	-	157 276	-	-	159 631	162 462	167 618
Capital Transfers and Grants										
National Government:		48 616	41 573	-	50 441	-	-	67 889	39 903	41 916
Municipal Infrastructure Grant (MIG)		42 246	34 573		50 441			47 889	39 903	41 916
Integrated National Electrification Grant		6 370	7 000		-			20 000	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	48 616	41 573	-	50 441	-	-	67 889	39 903	41 916
TOTAL RECEIPTS OF TRANSFERS & GRANTS		154 594	170 339	-	207 717	-	-	227 520	202 365	209 534

Total operating grant allocations to the municipality as gazetted in the DoR Bill amount to R159.6million for the 2013/14 financial year, R162.5 million and R167.6 million for the respective outer years of the MTREF

Total capital grant allocations made to the municipality amount to R47.9 million, R 39.9 million and R41.9million for the 2013/14, 2014/15 and 2015/16 financial years respectively.

Additional funding from DME has been made available. The funding amounts to R 20 million.

CHAPTER 10: COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

FS203 Ngwathe - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		5 026	5 454		6 375	6 375		6 821	7 190	7 578
Pension and UIF Contributions		309	327		487	487		521	549	579
Medical Aid Contributions		717	758		72	72		77	81	85
Motor Vehicle Allowance		1 222	1 296		2 278	1 678		1 796	1 893	1 995
Cellphone Allowance		284	303		526	526		563	594	626
Housing Allowances		-	-							
Other benefits and allowances		460	-					15	16	17
Sub Total - Councillors		8 019	8 139	-	9 738	9 138	-	9 793	10 322	10 879
% increase	4		1.5%	(100.0%)	-	(6.2%)	(100.0%)	-	5.4%	5.4%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2 452	4 130		6 194	6 194		6 618	7 041	7 492
Pension and UIF Contributions		18	19		321	321		343	365	388
Medical Aid Contributions		-			204	204		218	232	247
Overtime								-	-	-
Performance Bonus								-	-	-
Motor Vehicle Allowance	3	1 030	1 089		1 816	1 816		1 940	2 064	2 197
Cellphone Allowance	3				148	148		158	168	179
Housing Allowances	3							-	-	-
Other benefits and allowances	3	1 068	1 134		436	436		466	496	527
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		4 568	6 371	-	9 118	9 118	-	9 743	10 366	11 030
% increase	4		39.5%	(100.0%)	-	-	(100.0%)	-	6.4%	6.4%
Other Municipal Staff										
Basic Salaries and Wages		59 534	74 693		75 333	73 298		78 319	83 332	88 665
Pension and UIF Contributions		8 829	9 508		11 919	11 914		12 730	13 544	14 411
Medical Aid Contributions		3 357	3 615		3 971	3 984		4 257	4 530	4 820
Overtime		2 429	2 616		5 832	7 093		6 409	6 820	7 256
Performance Bonus		-						6 989	7 437	7 912
Motor Vehicle Allowance	3	4 572	4 924		3 423	2 583		2 360	2 937	3 124
Cellphone Allowance	3	-								
Housing Allowances	3	845	910		263	268		313	333	354
Other benefits and allowances	3	6 465	6 963		17 877	17 952		7 283	8 910	9 469
Payments in lieu of leave								2 897	4 263	4 536
Long service awards										
Post-retirement benefit obligations	6							768	817	870
Sub Total - Other Municipal Staff		86 030	103 229	-	118 617	117 091	-	122 325	132 922	141 417
% increase	4		20.0%	(100.0%)	-	(1.3%)	(100.0%)	-	8.7%	6.4%
Total Parent Municipality		98 616	117 740	-	137 473	135 348	-	141 861	153 610	163 326
			19.4%	(100.0%)	-	(1.5%)	(100.0%)	-	8.3%	6.3%

For the 2013/14 financial the municipality has budgeted an amount of R 9.8 million for remuneration of councillors, R 9.7 million for remuneration of senior management and R122.3 million for other municipal staff. This amounts to a total salary bill of R 141.9 million.

Management applied the 6.85 percent increase to basic salaries and wages for the 2013/14 financial year, however due to reductions in vehicle allowances, overtime and other allowances; the total Employee related cost budget will not reflect the 6.85 percent increase.

The total salary bill (inclusive of councillors) for the municipality amounts to 33.3 percent of total budgeted operating expenditure. When councillors are excluded the salary bill amounts to 31 percent of total budget operating expenditure.

CHAPTER 11: MONTHLY TARGETS FOR REVENUE AND EXPENDITURE

FS203 Ngwathe - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source																
Property rates		5 223	4 179	3 343	2 925	3 134	3 343	3 030	3 238	2 925	2 821	3 343	10 986	48 489	51 108	53 868
Property rates - penalties & collection charges													-	-	-	-
Service charges - electricity revenue		11 790	10 252	9 740	8 202	7 382	9 227	7 177	6 972	7 382	9 740	10 047	36 087	133 997	143 377	153 411
Service charges - water revenue		1 283	864	691	553	1 333	2 369	543	1 233	1 451	1 061	1 178	23 125	35 685	37 969	40 399
Service charges - sanitation revenue		802	1 002	902	802	1 102	802	1 002	902	802	602	802	23 542	33 068	34 853	36 736
Service charges - refuse revenue		2 085	1 390	1 204	1 112	1 147	1 237	1 042	1 112	1 042	1 042	1 008	14 550	27 971	29 482	31 074
Service charges - other		189	278	374	332	413	406	423	390	320	325	179	189	3 817	4 023	4 280
Rental of facilities and equipment		100	107	128	181	159	129	117	119	95	133	106	868	2 242	2 363	2 514
Interest earned - external investments		48	48	48	48	48	48	48	48	48	48	48	48	575	575	597
Interest earned - outstanding debtors		863	1 000	939	504	895	939	508	937	507	502	983	674	9 251	9 750	10 374
Dividends received													1	1	1	2
Fines		106	106	106	106	106	106	106	106	106	106	106	1 269	2 430	2 573	2 717
Licences and permits													-	-	-	-
Agency services													-	-	-	-
Transfers recognised - operational		60 026		-	-	47 129				35 346	-	-	17 130	159 631	162 462	167 618
Other revenue		63	12	93	212	69	16	65	58	100	48	72	26	834	880	936
Gains on disposal of PPE																
Total Revenue (excluding capital transfers and contributions)		82 579	19 239	17 567	14 976	62 916	18 621	14 060	15 116	50 124	16 427	17 872	128 496	457 992	479 417	504 527
Expenditure By Type																
Employee related costs		9 708	10 625	9 708	9 846	9 740	9 923	11 036	9 708	9 340	9 526	8 921	23 986	132 068	143 288	152 447
Remuneration of councillors		715	715	715	715	715	715	778	778	778	778	778	1 615	9 793	10 322	10 879
Debt impairment		1 471	1 366	1 366	1 471	1 051	1 051	946	525	525	525	841	2 049	13 188	13 900	14 651
Depreciation & asset impairment		159	177	177	177	177	177	177	177	177	177	212	233	2 200	2 319	2 444
Finance charges		242	242	242	242	242	242	242	242	242	242	242	242	2 900	4 480	4 706
Bulk purchases		11 070	9 918	8 766	7 488	8 525	8 525	7 257	7 488	528	9 331	9 446	63 815	152 157	160 373	169 033
Other materials		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services		1 323	1 323	1 323	1 323	1 323	1 323	1 323	1 323	1 323	1 323	1 323	1 323	15 880	17 517	18 384
Transfers and grants													38 526	38 526	40 607	42 800
Other expenditure		6 116	4 109	3 355	3 687	5 168	5 870	2 437	3 077	6 909	8 131	1 409	9 802	60 071	62 719	64 552
Loss on disposal of PPE													-	-	-	-
Total Expenditure		30 804	28 476	25 653	24 949	26 940	27 825	24 197	23 319	19 823	30 034	23 171	141 592	426 782	455 525	479 895
Surplus/(Deficit)		51 775	(9 237)	(8 086)	(9 973)	35 976	(9 204)	(10 136)	(8 202)	30 301	(13 607)	(5 299)	(13 097)	31 210	23 892	24 632
Transfers recognised - capital		23 226				18 150							26 513	67 889	39 903	41 916
Contributions recognised - capital																
Contributed assets																
Surplus/(Deficit) after capital transfers & contributions		75 001	(9 237)	(8 086)	(9 973)	54 126	(9 204)	(10 136)	(8 202)	30 301	(13 607)	(5 299)	13 416	99 099	63 795	66 548
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	75 001	(9 237)	(8 086)	(9 973)	54 126	(9 204)	(10 136)	(8 202)	30 301	(13 607)	(5 299)	13 416	99 099	63 795	66 548

CHAPTER 12: ANNUAL BUDGETS AND SDBIP

A separate Draft SDBIP document will be available by July 2013 after final approval of the budget and IDP. The 2013/14 MTREF draft Budget schedules is attached separately.

CHAPTER 13: LEGISLATION COMPLIANCE STATUS

The promulgation of the Municipal Finance Management Act (The Act) has brought in proficiency and control measures to local government in terms of budgeting, monitoring and accounting on public funds. The Act has had a profound effect on local government operations that required transformation in financial discipline and planning processes.

The budget preparation for 2013/14 to 2015/16 complies with most of these key requirements. The 2013/14 MRTERF draft budget was compiled using the A schedules as prescribed by the MFMA reporting regulations. The schedules were not complete in full due to insufficient information received from other departments.

The Act has created clear reporting standards for local government that conforms to international standards. In addition to providing for improved reporting by local government, the Act stipulates that new accounting and financial standards must be complied with.

13.1 Purpose and quality of MFMA returns

✚ Section 71 Reports

- *Purpose – Status of municipal finance position*
- *Quality – The main challenge relates to reconciliation of accounts and this makes it difficult to provide the information timeously.*

✚ Borrowing Monitoring Return Form

- *Purpose – Status of municipal long debt*
- *Quality – Information provided every quarter is based on confirmed balances in the previous year and payment made during the quarter.*

✚ Budget Evaluation Checklist (Circular 10)

- *Purpose – Progress on compilation of budget*
- *Quality – Information is adequately provided as and when required.*

✚ Corporate Entities (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality does not have entities.*

✚ PPP's (Circular 5)





- *Purpose – To monitor compliance with S178 (2) of the MFMA*

- *Quality – The municipality has not entered into any PPP's.*


Long Term Contracts

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – Information required for this return is provided sufficiently.*

13.2 Tabling of Section 71 Reports in Council

-  Monthly 71 reports are tabled before Finance and Budget Committee, Executive Committee and ultimately to Council.
-  These reports are submitted to the National Treasury, Mayor and Provincial Treasury every month.
-  There were challenges relating to timeous completion of section 71 reports due to lack capacity, however, this has been improved in the 2012/13 financial year and the service provider will be engaged to update the financial management system with the new in-year reporting formats.
-  Monthly section 71 reports are prepared using the C schedule format as prescribed by the MFMA reporting regulations.

13.3 Treasury Guidelines (Circular 67)

-  Treasury Guidelines relating to financial management, and budget preparation & implementation are adhered to.

CHAPTER 14: RESOLUTIONS

To be inserted

CHAPTER 15: DETAIL BUDGETS PER DEPARTMENT

The detailed annual budget for the financial year 2013/14; and indicative allocations for the two projected outer years 2014/15 and 2015/16; are set-out in the Tables A1 to Table A10 and related schedules on SA1 to SA 37 (attached).

CHAPTER 16: TARIFFS

In terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates.

Proposed tariffs are as set out in **Annexures 2, 3, 4, 5, and 6** respectively that were used to prepare the estimates of revenue by source for 2013/14 budget year.

CHAPTER 17: QUALITY CERTIFICATE